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Improving the financial situation of the United Nations

Report of the Secretary-General

Summary

The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/57/498/Add.1). It provides a review of the Organization's financial situation at 30 September 2003 and revised projections to 31 December 2003.

The report considers three financial indicators: available cash, unpaid assessed contributions and amounts owed to Member States. Revised projections for 2003 indicate two scenarios for end-of-year cash balances for the regular budget based on the payment to be made by the major contributors and a serious cash deficit for the tribunals, with cross-borrowing for both likely to be necessary for some time. For peacekeeping accounts, it is forecast that cash will be over $1 billion at 31 December 2003. As there are restrictions on cross-borrowing from active peacekeeping missions and from the peacekeeping reserve fund, only a small part of this will be available to cover other needs. Continuing sustained progress in the financial situation of the Organization will, however, depend on Member States meeting their financial obligations to the United Nations in full and on time.

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I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/57/498/Add.1). It also provides information on the financial situation of the Organization as at 30 September 2003 and projections to 31 December 2003.

2. Historically, the financial health of the United Nations has been measured by three baselines, which include unpaid assessments, cash on hand and debt owed to Member States. Underlying these elements and tying them together is the adequacy of annual assessment levels and the adequacy of actual payments against those assessments.

II. Review of the financial situation as at 30 September 2003

A. Assessments

3. Aggregate assessment levels approved by the Member States for 2003 comprise amounts applicable to the regular budget, the International Criminal Tribunals for Rwanda and the former Yugoslavia, peacekeeping and the capital master plan.

4. The aggregate assessment level at 30 September 2003 was US$ 3.9 billion. This figure may increase to over $4 billion if additional peacekeeping assessments are approved before the end of the year.

B. Regular budget

Amounts unpaid

5. The Organization must be able to rely on payment in full and on time in order to provide the predictable resource base needed to carry out all of its mandated activities. However, as of 30 September 2003, only 113 Member States had paid their regular budget assessment in full, or owe less than $25. That is only 59 per cent of the total membership.

6. Since 30 September 2003, eight other Member States have paid in full, bringing the total number of fully paid Member States to 121 as of 23 October 2003. Although the year-end figure will be higher than in 2002, when the total number of all fully paid Member States was only 117, it is still currently lower than the higher figures achieved in 2000 and 2001. The Secretary-General wishes to thank those Member States who have honoured their obligations this year.

7. At 30 September 2003, 36 Member States had made no payment whatsoever in 2003. Another 42 Member States had made only partial payments. Overall, 78 Member States had not met their agreed financial commitments for the United Nations regular budget. The financial stability of the Organization is under pressure. Receipts mean that the work of the Organization can carry on; their absence undermines that ability.

Amounts outstanding

8. Amounts outstanding for 2003 have also not improved. Of the 15 major contributors, three owed a total of $581 million and 75 others owed a total of $112 million. Unpaid regular budget assessments amount to $693 million.

Cash

9. Amounts outstanding are mirrored in the Organization's cash flow projections. Currently, for the month of October 2003, cash availability under the regular budget and related reserve accounts has become critical. There is no regular budget cash and it has become necessary to borrow from peacekeeping accounts to fund the regular budget. It is expected that it may be necessary to borrow as much as $125 million by the end of November 2003. This borrowing situation is forecast to last until some expected payments are received.

10. The United States of America has informed the Secretariat that regular budget payments of between $233 million and $341 million will be received by the end of December 2003, depending on action by the United States Congress on the current national budget. A contribution of $31 million to the regular budget from the United States was received earlier in 2003. Based on the two figures provided by the United States Mission to the United Nations, two scenarios have been prepared for the financial position of the Organization at 31 December 2003, as described below.

11. Should we receive the lower contribution figure, a negative balance of $5 million for the regular budget at the end of 2003 is projected. Should the higher number be received, the year-end cash balance would be a positive $103 million. At this point, however, only possible year-end results can be indicated.

C. Tribunals

Unpaid assessments

12. As for the two Tribunals, most Member States have not paid their 2003 Tribunal assessments in full. In fact, at 30 September 2003, 116 Member States had made no payment for their 2003 assessments or owed more than the total of their 2003 assessments, while 15 had made only partial payments. Only 60 Member States have paid their 2003 assessments in full for both Tribunals. Again, the Secretary-General sincerely hopes that Member States fulfil their obligations, especially in the light of the precarious financial situation of the Tribunals.

Amounts unpaid

13. The amounts unpaid for the Tribunals at 30 September 2003 have reached a high level of $117 million. At the same time in 2002, only $49 million was unpaid. This is the highest level of unpaid assessments in the Tribunals' history.

14. Five out of the 15 major contributors owed a total of $102 million and 126 others owed $15 million at 30 September 2003.

Cash

15. As to the cash balance, in the previous report (A/57/498/Add.1) a small positive ending cash balance was predicted of about $2 million. At this point, however, this is almost certainly too optimistic.

16. During 2003, the Tribunals have been in a negative cash position for five months out of the first 10 — in January, July, August, September and October. Unfortunately, this negative cash position is expected to continue during the next two months. Cash balances at the end of October are forecast to fall to a negative $41 million and to end the year with a shortfall of $29 million. This varies significantly from the earlier forecast of a positive $2 million.

17. These persistent shortfalls highlight the fragile financial position of the Tribunals and the need to borrow substantially from peacekeeping operations. Financial health, which is so important for stable operations, can only be restored by Member States paying their contributions in full and on time.

D. Capital master plan

Unpaid assessments

18. An assessment of $25.5 million for the capital master plan was approved by the General Assembly for 2003. As at 30 September 2003, total receipts amounted to $15 million, reflecting payment from 61 Member States; 127 Member States had made no payment whatsoever.

19. Five additional payments have been received since the end of September 2003, bringing the total number of Member States fully paid up to 66. These include China, the Marshall Islands, Slovenia, Tuvalu and the United States.

E. Peacekeeping

Unpaid assessments

20. As for peacekeeping, outstanding peacekeeping assessments at the end of September 2003 totalled $1,559 million, compared with $1,777 million on 30 September 2002. This is a positive trend, especially when this year's higher peacekeeping assessment is considered.

21. At 30 September 2003, the United States owed $732 million, the 14 other major contributors owed $464 million and all other Member States owed $363 million. In addition, a contribution from the United States of $252 million against its peacekeeping assessments was received on 20 October 2003, thus lowering its amount outstanding as well as the overall figure.

Cash

22. Peacekeeping cash was high at the beginning of the year, higher during the middle months and is projected to still be over $1.2 billion at 31 December 2003. However, not all of this cash is available for cross-borrowing to cover shortfalls in the regular budget and the Tribunals. Cash for active missions cannot be cross-

borrowed. Cash from the reserve fund can only be used for mission start-ups or missions that are expanding.

23. The only available source for cross-borrowing remains closed peacekeeping missions and cash in the closed missions is decreasing. Only minimal amounts remain to cover the deficits in the regular budget and the Tribunals. It should be recalled that $84 million was returned to Member States from closed missions in June 2003. Another $84 million is due to be returned in March 2004. If this happens, there will be no way to cover the shortfalls in other accounts.

24. Of the $1,198 million expected to be available at the end of 2003, $831 million is required for operating costs, $86 million is available in the peacekeeping reserve fund, $240 million is available in the closed missions and $41 million is owed to closed missions by the Tribunals.

25. As for the Peacekeeping Reserve Fund, amounts were used twice in the past six months to fund the start-up of two peacekeeping operations which may evolve very quickly, and when that happens we must be able to react quickly.

26. Amounts in the closed missions are expected to total $240 million at the end of 2003. Of this amount, $84 million is due to be returned to Member States in March 2004 and liabilities account for $114 million. That will leave only $42 million available to cover shortfalls that may arise in 2004 under the regular budget and the Tribunals.

27. This level of cushion for 2004 is clearly insufficient. As mentioned above, the regular budget will need to borrow $125 million and the Tribunals $41 million. The active missions borrowed another $21 million in 2003. Therefore, total borrowings from the closed missions in 2003 totalled $187 million.

28. Against this level, if there is only $42 million available in 2004, the Organization is clearly skating on thin ice. Not only can the Organization ill afford to pay the $84 million in March 2004 but a marked improvement in receipts for the Tribunals and the regular budget is also urgently needed in order to fund mandated operations.

F. Debt to Member States

29. Notwithstanding this situation, efforts are continuing to follow the Secretary-General's plan to remain as current as possible with reimbursement payments to Member States for the use of their troops and equipment.

30. At 1 January 2003, debt to Member States stood at $703 million, $135 million of which was owed for troops and $568 million for equipment. Yearly obligations were expected to be over $700 million. That amount has proven to be too high and has been revised downwards to $694 million.

31. Payments estimated to be made to Member States will be lower than forecast in the earlier report (A/57/498/Add.1) but still higher than the current year's obligations. Instead of $939 million, it is estimated that $832 million will be paid to Member States providing troops and contingent-owned equipment. To date, payments totalling $339 million in troop costs have been paid and it is planned to pay another $64 million by the end of 2003. Payments of $329 million for

contingent-owned equipment have been made and $100 million more is expected to be paid by the end of 2003, for a total payout of $832 million.

32. While the final debt total forecast at 31 December 2003 is higher than earlier predicted — $565 million against $495 million — significant progress has been made over the last several years, when debt levels were close to a billion dollars.

33. Progress can also be seen in another way. Payment of equipment debt is only nine months behind, whereas it was one year behind at December 2002. Payment of troop debt is only three months behind in several missions, whereas it was six months behind at December 2003.

34. But two areas continue to be a problem: cash shortages in the United Nations Interim Administration Mission in Kosovo, the United Nations Mission for the Referendum in Western Sahara and the United Nations Peacekeeping Force in Cyprus, and a lower number of certified claims for the United Nations Organization Mission in the Democratic Republic of the Congo, the United Nations Mission in Sierra Leone and the United Nations Mission in Ethiopia and Eritrea. In other words, in some cases in which there are certified claims there is no money to pay Member States. In others, where funds are available, claims have not been processed as fast as projected, mainly due to unsigned memorandums of understanding. These problems need to be resolved.

III. Conclusion

Unpaid assessments

35. Unpaid assessments totalled $2,380 million at 30 September 2003. For the regular budget the total was $693 million, an amount higher than in 2002. For the Tribunals, the amount was the highest ever, at $117 million; for the capital master plan, unpaid amounts totalled $11 million; for peacekeeping, unpaid amounts were lower than in 2002, at $1,559 million.

Cash

36. For the regular budget there is no cash. At the end of November 2003, cash is expected to be a negative $125 million and there is a possibility of either remaining in a deficit situation of $5 million or a positive $103 million at year-end, depending on the receipts from the major contributor.

37. For the Tribunals there is also no cash. Balances are expected to reach a low of negative $41 million at the end of October 2003 and a negative $29 million at year-end.

38. The capital master plan at end-September 2003 had a cash level of $14 million, and is expected to remain in a positive position at year-end with $17 million in cash.

39. Cash on hand at end-September 2003 for peacekeeping totalled $1,597 million, with $1,198 million forecast at year-end. As indicated above, however, much of that is not available for other financial needs.

Debt to Member States

40. Progress has been demonstrated in 2003, with debt projected to be $565 million. But the timely signing of memorandums of understanding continues to be a problem, as does the shortage of cash in a number of active missions, which delays reimbursements.

41. The Secretary-General deeply appreciates the efforts of those that have managed to pay all their assessments, including all peacekeeping assessments issued before 30 September 2003. The Secretary-General salutes them and once again calls on other Member States to meet the financial obligations that you all approved many months and in some cases years earlier.